

## THE EFFECT OF MARKET ORIENTATION AND SERVICE INNOVATION ON MARKETING PERFORMANCE MEDIATED BY COMPETITIVE ADVANTAGE

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### ABSTRACT

This study discusses market orientation and service innovation on marketing performance mediated by competitive advantage variables. The results of the research on the first hypothesis are an effect of market orientation on competitive advantage variables with a t-statistic of  $6.767 > 1.99$  and a significance value of  $0.000 < 0.05$ . The second hypothesis in this study is that there is an effect of service innovation on the competitive advantage variable with t-statistic  $2,227 > t\text{-table } 1.99$  and a significance value of  $0.026 < 0.05$ . The third hypothesis in this study is that there is an effect of competitive advantage on the marketing performance variable with a t-statistic of  $2.357 > 1.96$  and a significance value of  $0.010 < 0.05$ . The fourth hypothesis in this study is that there is an effect of market orientation on the marketing performance variable with t-statistic  $3.126 > t\text{-table } 1.99$  and a significance value of  $0.002 < 0.05$ . The fifth hypothesis in this study is that there is an effect of service innovation on the marketing performance variable with t-statistic  $2,470 > t\text{-table } 1.99$  and a significance value of  $0.014 < 0.05$ . The sixth hypothesis is that the competitive advantage variable can mediate the relationship between market orientation and marketing performance with t-statistic  $2,209 > t\text{-table } 1.99$  or  $p \ 0.028 < 0.05$ . The seventh hypothesis is that the service innovation variable cannot mediate the relationship between market orientation and marketing performance with t-statistic  $1.504 < t\text{-table } 1.99$  or  $p \ 0.133 > 0.05$ .

*Keywords: Market Orientation, Service Innovation, Marketing Performance, Competitive Advantage*

### 1. INTRODUCTION

Every company has a goal to realize its growth and survival in the long term. In a global era characterized by equal competition due to goals and complexities and a high level of acceleration, companies are required to have the ability to develop strategic choices in the field of marketing management so that they can adapt to a dynamic environment. The market must be managed with systematic efforts to place profits from superior market performance (Utaminingsih, 2016).

This research presents an empirical study based on finance companies. One of the leading vehicle finance companies in Indonesia is PT. Maybank Indonesia Finance which is headquartered at Jalan Mangga Dua Raya Gedung Wisma Eka Jiwa 10th Floor has been established in 1991. At the beginning of the establishment of PT. Maybank Indonesia Finance is called PT. BII Finance Center, but in 2016 it officially changed its name to PT. Maybank Indonesia Finance still exists today. This can be seen from the results of vehicle sales which continue to increase every year, recorded the national market share of four-wheeled vehicles from 2017 to 2019,

**Table 1. Motor Vehicle Sales of PT. Maybank Indonesia Finance period 2017-2019**

Year	Sales	National Market Share	
		Unit	%
2017	43.875	1.079.308	4,07%
2018	47.833	1.515.413	4,15%
2019	45.761	1.026.921	4,46%

Source: PT. Maybank Indonesia Finance, 2021

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Based on the table above, explains the market share of four-wheeled vehicles in PT. Maybank Indonesia Finance totaled 1,079,308 units with sales of 43,875 units (43,875%) in 2017. In 2018 it also experienced an increase from 1,515,413 units sold 47,833 (4.15%). Likewise, in 2019 out of 1,026,921 units sold 45,761 units (4.46%). Every year it is seen that there is an increase in the percentage of car sales causing credit services offered by PT. Maybank Indonesia Finance is getting bigger. This is certainly inseparable from marketing performance as the spearhead in carrying out its duties, of course, by mastering the market, customers, and various sales methods that can compete with other finance companies. However, the increase has not been in line with the company's expected target to reach 5% in 2019. The company is also trying to add new service applications so that consumers are interested in buying the services offered. PT. Maybank Indonesia Finance must be able to carry out strategies that have high competitiveness to satisfy customer needs. The company can provide good service and renewal procedures that benefit customers. Therefore, it is necessary to implement company policies by marketers to create various innovations and get to know the market well as capital to create a reliable market strategy. Wahid's research (2019) using path analysis concluded the results of his research that innovation directly has a positive and significant effect on competitive advantage, but there is no influence on marketing performance. Competitive advantage can mediate the relationship between competitive advantage and innovation in marketing performance. Together, innovation and competitive advantage affect marketing performance. The gap in the results of this study makes researchers interested in conducting further research on the influence of market orientation and service innovation on marketing performance through competitive advantages in vehicle financing companies (finance) at PT. Maybank Indonesia Finance in 2021.

### **1.1. Marketing Performance**

Marketing performance is one of the measures of the overall work of various marketing process activities or organizations. Marketing performance can also be used to measure the extent of market performance that a company has achieved and is used as a benchmark for the impact of that strategy. The company's strategy can be implemented well and can increase sales volume and growth (Tjiptono, 2018). Marketing performance can be viewed from three elements, namely: sales value, sales growth, and market portion. Sales growth shows the number of regular customers who consume the product. Sales value is related to a large number of product units or the amount of rupiah given by customers due to company sales transactions (Terence, 2018). Based on the opinions of the experts above, it can be said that marketing performance is a concept to measure the market performance of a service.

### **1.2. Market Orientation**

All activities seek and collect market information about customer needs so that the company can respond and make various products to meet these needs in the future (market orientation). Improved performance for companies that are affiliated with the market (Komarudin, 2014). Market orientation is any activity carried out by the company containing behavioral components, namely: customer orientation, competitors, and inter-functional coordination. and two decision criteria in the form of long-term and profit. All of these components are expected to disseminate market information and will gain customer orientation, competitor orientation, and coordination between functions to support long-term goals and profits (Peter and Olson, 2015).

### **1.3. Service Innovation**

Service quality and innovation are two elements that can build competitive advantage because the quality of service is adequate infrastructure. In contrast, innovation is applied because consumers want a renewal in the services perceived by consumers, so the result of service quality and innovation is creating a competitive advantage (Wahyoedi et al., 2021). Innovation is the ability to establish creative solutions to problems and opportunities to improve or enrich people's

lives (Hamali and Budihastuti, 2017). In an organization, innovation is supported by employees who are smart and have reason in finding and finding what is needed and further making it a new need and collaborating into new methods, processes, and resources to make novelty according to the plan (Malaviya and Wadhwa, 2005 in Nurjannah, 2015). Experts mention that "innovation is an almost obligatory survival strategy". This means that companies can stay afloat in the ongoing competition through innovation (Drucker in Dhewanto et al (2014). Based on the foregoing, it can be said that the company innovates to look for various methods to create and produce innovations through the improvement of the creative capabilities of employees.

#### 1.4. Competitive Advantage

A competitive advantage strategy is a strategy to win a competition by creating superior value for customers. Competitive advantage is an attempt to gain an advantage according to expectations compared to its competitors (Udaya et al, 2013). According to Kotler (2011), competitive advantage is the company's various efforts to plan and form pricing methods or product offers that can provide more value to customers according to customer needs and develop strong communication with customers. Competitive advantage refers to a company's ability to emulsify a strategy that puts it in a profitable position concerning other companies. The reason for the competitive advantage is less capable due to the market that tends to choose products that are competitive in terms of price rather than product quality (Nurseto, 2014).

#### 1.5. Research Question

The formulation of the research questions in this study are:

1. Does market orientation affect competitive advantage?
2. Does service innovation affect competitive advantage?
3. Does competitive advantage affect marketing performance?
4. Does market orientation affect marketing performance?
5. Does service innovation affect marketing performance?
6. Does competitive advantage mediate the influence of market orientation on marketing performance?
7. Does competitive advantage mediate the influence of service innovation on marketing performance?

## 2. RESEARCH METHODS

The object of this study is market orientation and service innovation as factors that affect marketing performance mediated competitive advantage at PT. Maybank Indonesia Finance. The population in this study was all marketing employees at PT. Maybank Indonesia Finance in 2021 consists of 34 branches totaling 804 people. Then the subjects in the study are employees who are still actively working at PT. Maybank Indonesia Finance. The subject of this research is the variables of market orientation, service innovation, competitive advantage, and marketing performance. To meet the characteristics of respondents, researchers completed a sample of 100 employees of the marketing department at PT. Maybank Indonesia Finance.

In this study, sem PLS (Structural Equation Modelling) was used. Data analysis with the help of Smart PLS software version 3.0 will be applied with the help of a computer or laptop. PLS (Partial Least Square) is an analysis of a variant-based structural analysis (SEM) that can be carried out through measurement model testing and structural model testing.

According to (Sadikin et al., 2020), research using Smart PLS includes several types of measurements:

1. The outer Model (Measurement Model) is a model that connects indicators with latent variables (consisting of convergent validity, discriminant validity, and reliability tests).
2. The inner Model (Structural Model) is a model that connects latent variables (consisting of the R square and Q square tests).

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Hypothesis testing. The criteria for testing the hypothesis are accepted is if the t-statistics value > 1.96 (t-table value with alpha 5%) and the P-value < 0.05.

### 3. RESULT AND DISCUSSION

#### 3.1. Test Outer Model (Reliability and Validity)

Outer model analysis shows the relationship between each indicator and the latent variable. The tests performed in the outer model analysis, namely convergent validity, composite reliability, mean-variance extracted (AVE), and Cronbach's alpha.

**Table 2. Loading Factor**

Variable	Item	Loading Factors
Market Orientation (X1)	OP1	0.716
	OP2	0.820
	OP3	0.760
	OP4	0.755
	OP5	0.711
Service Innovation (X2)	IJ1	0.742
	IJ2	0.781
	IJ3	0.746
	IJ4	0.858
	IJ5	0.762
Competitive Advantage (Z)	KB1	0.751
	KB2	0.790
	KB3	0.709
	KB4	0.718
	KB5	0.742
	KB6	0.732
Marketing Performance (Y)	KP1	0.842
	KP2	0.712
	KP3	0.823
	KP4	0.767
	KP5	0.735

The data in Table 2 show the convergent validity of the load factor value for each indicator. According to Hair et al (2017), a load factor parameter with a rule of 0.7 is considered to meet the convergence validity requirements. The above research data shows that the value of the load factor is above 0.7. So one can say that the research data are correct.

**Table 3. Discriminant Validity**

	Marketing Performance (Y)	Competitive Advantage (Z)	Market Orientation (X1)	Service Innovation (X2)
Marketing Performance (Y)	0.765			
Competitive Advantage (Z)	0.575	0.824		

Market Orientation (X1)	0.508	0.503	0.827	
Service Innovation (X2)	0.572	0.530	0.501	0.815

From the data in Table 3, discriminant validity values were estimated based on the extracted mean-variance root parameter (AVE) and the correlation of the latent variables with the general correlation rule of the root of the latent mean-variance extracted (VOGEL). It can also be rated based on cross-loading with a base of 0.7. According to this ruling, the research has fulfilled the validity requirements.

**Table 4. Average Variance Extracted (AVE)**

Variable	AVE
Marketing Performance (Y)	0.585
Competitive Advantage (Z)	0.679
Market Orientation (X1)	0.684
Service Innovation (X2)	0.664

The results of this study obtained mean extraction values (AVE) of all variables above 0.5, which can be seen in Table 4. This means that the research conducted met the CoverGen validity test requirements. It follows the opinion of Ghazali and Latan (2015) that the accuracy of convergence is estimated based on the average variance extracted (AVE). When the value is equal to 0.5 or more it is said to be valid.

**Table 5. Composite Reliability**

Variable	Composite Reliability
Marketing Performance (Y)	0.894
Competitive Advantage (Z)	0.937
Market Orientation (X1)	0.928
Service Innovation (X2)	0.922

From the research above, the composite reliability value is above 0.7, so it can be concluded that the research variables are said to be reliable. Composite Reliability values above 0.7 are considered good reliability (Ghozali and Latan, 2015). It can be seen from Table 5 that all the variables in this study are considered reliable because the value of the composite reliability is higher than 0.7.

### 3.2.Inner Model Test (Structural Model Analysis)

This test aims to explain the approximate relationships between latent or construct variables. The inner model analysis uses 2 methods, namely R-square and Q-square.

The R-squared test is used to test the value of an independent variable against a dependent variable. Assessment of the predictive ability of the model was performed with R-squared,

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providing criteria for R-squared values of 0.67 (strong), 0.33 (moderate), and 0.19 (weak). (Yogianto y Abdilah, 2009).

**Table 6. R-square Coefficients**

Variable	R-square
Competitive Advantage (Z)	0,505
Marketing Performance (Y)	0,469

Table 8 are indicated the values of R-square. Table 6 shows the value of R-square Competitive Advantage (Z) = 0.505 = 50.5%, meaning that each variable of market orientation and service innovation affects the variable of competitive advantage by 50.5% and the remaining 49.5% is influenced by other variables that were not studied. Medium R-square value of Marketing Performance (Y) = 0.469 = 46.9%. This explains the variable of competitive advantage affecting the variable of marketing performance by 46.9% and another variable affecting 53.1% that was not studied.

### 3.3.Hypothesis Testing

Hypothesis tests analyze the importance and power of direct relationships or effects (without mediation variable) between the following constituent variables:

**Table 7. Path Coefficient (Direct effect)**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t -Statistic	P Values
Market Orientation (X1) → Competitive Advantage (Z)	0,599	0,595	0,088	6,767	0,000
Service Innovation (X2) → Competitive Advantage (Z)	0,187	0,198	0,084	2,227	0026
Competitive Advantage (Z) → Marketing Performance (Y)	0,243	0,241	0,103	2,357	0,019
Market Orientation (X1) → Marketing Performance (Y)	0,321	0,319	0,103	3,126	0.002
Service Innovation (X2) → Marketing Performance (Y)	0,252	0,263	0,102	2,470	0.014

The results of the SmartPLS calculation in table 7 can be known as either there is an effect or there is no effect. It can be said to have a positive or negative effect if the t-table statistic is 1.99, and it can be said that there is no positive or negative effect if the t-table statistic is 1.99 is not.

## 4. CONCLUSION

Based on the study, the following conclusions were drawn:

1. The company conducts various market orientations that can effectively increase its competitive advantage over other companies. Marketing employees always carry out market orientation that can survive during existing car sales competition, because their products have a competitive advantage in the minds of customers.

2. The company innovates services that can make it easier for customers to increase competitive advantage in the same company. Marketing employees are constantly introducing innovative products that often meet the changing needs and desires of consumers, and the delivery of new product information that is more efficient, and customer-oriented continuously improves the target market.
3. Companies that have a competitive advantage can improve marketing performance to make a profit. Marketing performance always strives to implement various superior measures such as past research to face competition in the market.
4. The company's efforts to orient the market according to customer needs can improve marketing performance. Marketing performance always pays attention to market research and customer satisfaction by continuously assessing customer needs and desires.
5. Service innovations implemented by the company are getting better and better can improve marketing performance. Marketing performance always creates or develops something new in the sales process that is following the wishes of consumers, so consumers will buy the car products offered, thereby improving marketing performance, namely sales, profits, and target markets.

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